

STATEMENT OF
LLOYD VYE
MAINTENANCE MANAGER
CIRCUIT CITY STORES, INC.

Richmond, Virginia
April 18, 1997

Oral Statement

Lloyd Vye
Maintenance Manager
Circuit City Stores, Inc.

on behalf of

Circuit City Stores, Inc.

I am Lloyd Vye, Maintenance Manager of Circuit City Stores, Inc. and am appearing today on behalf of my company to register my strong support for electric utility restructuring.

Circuit city is the nation's largest Consumer Electronics retailer, with over 500 stores in 41 states, employing over 40,000 people. Circuit City is also a member of several organizations, including the International Mass Retail Association, the National Retail Federation, and the Americans for Affordable Electricity, who each support deregulation of the electric utility industry.

With an annual electric bill of approximately \$36 million, from over 150 different suppliers, electricity is Circuit City's largest operating cost item after payroll and rent, and in the climate of intense competition we operate in we are vitally interested in reducing this cost to the greatest extent possible.

Accordingly, we are anxious to see deregulation of electricity begin, in the expectation that we, our associates, and customers all will achieve savings of 15% or greater on our electric bills. In turn, lower costs for us will mean a stronger company and lower prices for our customers. Lower costs for our associates and customers will mean more money in their pockets and

a stronger retail economy.

Price, selection and service are the most important points of differentiation in the retail industry, and consumers have reaped the benefits of shopping, whether for phone service or electronic equipment, in a competitive marketplace. I am hopeful that we soon will also be able to consider these factors when we purchase our electric power, as we are prohibited from doing under the current monopoly situation.

THE NEED FOR FEDERAL LEGISLATION

We believe federal legislation in the area of electricity restructuring is needed to ensure all customers the right to choose the electricity supplier that best meets their needs.

According to a recent survey of 1000 consumers nationwide, conducted by the International Mass Retail Association, 71% stated that they were in favor of the government passing a law allowing choice among electricity providers, similar to the way they now choose their long distance telephone company.

The Federal government must provide a date certain by which all consumers, no matter where they live, be allowed to choose their electricity suppliers because many states are not moving aggressively forward to open electricity markets. In 45 states, there has been no date set by which customers will have a choice of their electricity suppliers, and in several of those states no action is being undertaken at all.

Opening markets state by state severely limits the degree of competition in each small market. Also, a truly competitive environment cannot be achieved if one electricity supplier is able to serve customers in *open access* areas while its own *territory* is still a protected monopoly in a state ~~that~~ has not opened its own market yet.

ELEMENTS-OF FEDERAL LEGISLATION

Federal legislation should provide a date certain for deregulation, a guideline for handling stranded costs, and break down barriers to aggregation and group purchasing. For these reasons, I believe the Congress must act to protect all consumers, who will benefit greatly *from* deregulation as long as policy makers stick to these principles:

1. Competition *for* all classes of customers should come sooner rather than later.

Every year that competition is delayed means billions in lost savings to consumers and lost economic growth for the nation. In today's environment, big industrial consumers can negotiate reasonable electricity rates based on their ability to relocate and their option to generate their own power. Smaller electricity consumers, like retailers, small businesses, and residential customers, don't have these *options*, and are forced to buy electricity from the one monopoly service provider in each government-protected utility service territory. We must use this supplier even though there are other suppliers ready, willing, and able to sell us the same electricity at a much lower price.

Many states which have adopted, or are considering, deregulation are implementing phase-in periods that force small consumers to wait years to have access to competitive markets, while large industrial users, who are already paying the lowest rates, are the first to have access to **competing** suppliers. There is no valid reason for phase-ins -- all consumers must have a choice of suppliers at the same time.

In most states, retailers are advocating January 1, 1998 as a reasonable date for competition to begin. While some states are heading for that date, many are not, and I believe the Congress should impose a date no later than the year 2000 by which all customers should have a choice of electricity suppliers.

2. Consumers should *not* bail out badly managed utilities.

I recognize that there may be some legitimate transition costs involved in moving from a government-regulated to a competitive market. However, I also believe that the owners and managers of utility companies should be held accountable for their own investment and management mistakes, just as we are in our business. Consumers won't see the economic benefit⁸ of competition if they're forced to pay for utility executives' past bad management decisions.

3. All consumers should have a choice of electricity suppliers.

All consumers should have the right to purchase electricity just like they purchase any other product or service -- from a choice of suppliers in a competitive marketplace.

In order for competition to benefit small consumers, we must have

real choices among competing suppliers in the widest possible markets. Commercial customers should be allowed to combine, or aggregate, the loads from their multiple locations just as they do when purchasing any other commodity. Similarly, small commercial and residential consumers should be permitted to join purchasing, or aggregation, groups in order to gain ~~some~~ purchasing power and ~~secure~~ a ~~more~~ competitive price.

CONCLUSION

The bottom line ~~is~~ that competition brings lower prices and better service to customers and associates of Circuit City, and Circuit City urges this Committee and the Congress to move forward quickly to allow competition to provide the same benefits to all the customers of the electric utilities.